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RUCPDO/DEPT OF COMMERCE WASHDC IMMEDIATE
RUEATRS/DEPT OF TREASURY WASHDC IMMEDIATE
RHEFDIA/DIA WASHINGTON DC IMMEDIATE
RUEIDN/DNI WASHINGTON DC IMMEDIATE
RUEHLMC/MILLENNIUM CHALLENGE CORP WASHINGTON DC IMMEDIATE 1192
RHEHAAA/NATIONAL SECURITY COUNCIL WASHINGTON DC IMMEDIATE
RUMIAAA/USSOUTHCOM MIAMI FL IMMEDIATE

C O N F I D E N T I A L SECTION 01 OF 02 TEGUCIGALPA 000883

SENSITIVE
SIPDIS

STATE FOR EXIM/MICHELE WILKINS

E.O. 12958: DECL: 09/03/2019
TAGS: [ECON](#) [AMB](#) [CONS](#) [DAO](#) [DCM](#) [AID](#) [FCS](#) [PAS](#) [POL](#) [ORA](#)
SUBJECT: TFH01: DE FACTO REGIME TOUTS IMF ACT AS SIGN OF
RECOGNITION

REF: A. TEGUCIGALPA 838
[1](#)B. TEGUCIGALPA 771
[1](#)C. TEGUCIGALPA 697

Classified By: Amb. Hugo Llorens, E.O. 12958, 1.4(d)

[1](#)1. (C) Summary and Action Request: The Honduran de facto regime is trumpeting the IMF's inclusion of Honduras in the worldwide increase in Special Drawing Rights (SDR) for members as a sign of international recognition for the regime. Honduras received an allotment of SDR 96 million (approximately USD 150.1 million) and is expected to receive an additional SDR 8.8 million (USD 13.8 million) for a combined total of SDR 104.8 million (USD 163.9 million). The first installment would increase the foreign exchange reserves by approximately 7%. The Banco Central de Honduras (BCH) states this will improve reserve coverage in terms of months of importation and other financial indicators. It remains to be seen whether or not other countries will recognize the regime's authority to convert SDRs. Embassy is concerned about the political benefit the de facto regime is gaining from the replenishment and suggests the Department consider requesting that the IMF limit the regime's access to the funds. Alternately, the Department could approach other countries to encourage them not to exchange Honduras's SDRs for currency. End Summary.

[1](#)2. (U) Following the G-20's meeting in London in April, the International Monetary Fund (IMF) decided to increase its allocation of Special Drawing Rights (SDR) to all member countries to mitigate the effects of the global financial crisis. On August 28, the IMF increased the general allocation of SDRs for members by USD 250 billion. A second one-time special allocation of USD 33 billion is scheduled for September 9. Allocations are in proportion to a member's quotas which are loosely based on its relative size in the global economy. SDRs boost a member country's foreign exchange reserves because they can be changed into convertible currencies, providing additional resources for use in international transactions.

[1](#)3. (U) Honduras received SDR 96 million (approximately USD 150.1 million) and is expected to receive an additional SDR 8.8 million (USD 13.8 million) for a combined total of SDR 104.8 million (USD 163.9 million). The first installment increased the foreign exchange reserves in the Banco Central de Honduras (BCH) by approximately 7% overnight.

[1](#)4. (SBU) These influxes, however, may be more apparent than

real. While the increase in Honduras' account at the IMF boosts reserves on the books of the Central Bank, the de facto regime may not have access to the reserves. Although the IMF has recently acted to make SDRs more convertible, SDRs may only be exchanged for convertible currencies among member countries (either voluntarily or under the designation mechanism where the IMF assigns members to exchange currency for SDRs).

15. (SBU) Nevertheless, the Micheletti de facto regime is publicizing the move as recognition of its legitimacy by a principal world financial organization even though the allocation increase to Honduras was technical in nature. The de facto head of Banco Central de Honduras (BCH), Sandra de Midence, was quoted in local press saying that, unlike the other international financial institutions (e.g. World Bank, Inter-American Development Bank, and Central American Bank for Economic Integration), the IMF "is respecting that we are a member country."

16. (SBU) Separately, the sharp declines in reserves seen after the June 28 coup appear to have subsided (to be reported septel). Multi-lateral lenders and other sources had previously told EconOff that the de facto regime should have sufficient reserves until January 2010 if it kept tight controls on spending (ref A). In an August 31 press release, the BCH stated that this increase would improve reserve coverage in terms of months of importation and other financial indicators.

17. (C) Action Request: Embassy is concerned about the

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political benefit the de facto regime is gaining from the replenishment and suggests the Department consider requesting the IMF to limit the regime's access to the funds, or approach other countries to encourage them not to exchange Honduras's SDRs for currency.
HENSHAW